

Message Text

PAGE 01 NEW DE 12357 241546Z

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7527

S E C R E T NEW DELHI 12357

EXDIS

E.O. 11652: GDS

TAGS: EFIN IN

SUBJECT: RUPEES: POSSIBILITY OF INDIAN DEVALUATION

1. IN MY MTG TODAY WITH G.P. KAUL, SECRETARY OF THE MINISTRY OF FINANCE (SEE SEPTTEL), KAUL STATED THAT PRINCIPAL REASON HE HAS DIFFICULTIES IN ACCEPTING OUR MOV PROVISION WAS THAT GOI OFFICIALS ARE BEGINNING TO ASSUME INDIA WILL HAVE TO DEVALUE BY ABOUT 30 O/O, I.E., TO TEN RUPEES TO THE DOLLAR. HE GAVE NO INKLING AS TO WHEN SUCH AN ACTION MIGHT TAKE PLACE. HE ALSO EXPECTED THE DOLLAR TO STRENGTHEN.

2. KAUL REITERATED TRADITIONAL GOI LAMENT THAT INCREASING PRICES FOR PETROLEUM WERE CAUSING SERIOUS BALANCE OF PAYMENTS PROBLEMS.

3. COMMENT: THERE HAS LONG BEEN TALK AMONG GOI OFFICIALS AND ACADEMICS THAT THE RUPEE IS OVERVALUED BY PERHAPS 30-40 O/O. WHILE THERE IS MUCH TO BE SAID FOR SUCH A DEVALUATION ON ECONOMIC GROUNDS, IT IS DIFFICULT TO VISUALIZE SUCH AN ACTION DUE TO THE DOMESTIC AND POLITICAL UPROAR IT WOULD EFFECT. WE NOTE THAT GOI HAS OFFERED US ONE YEAR MOV WHICH WOULD APPEAR TO INDICATE NO IMMINENT ACTION LIKELY.
MOYNIHAN

SECRET

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Message Attributes

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